



Defense Department Makes Progress with Reform Actions

Deputy Secretary of Defense John J. Hamre today issued an interim status report on Secretary William S. Cohen's Defense Reform Initiative, the ongoing reform program to apply key lessons from business and industry to make DoD and the Military Services more efficient and productive. Speaking at a press briefing at the Pentagon, Hamre said, "We are by no means finished doing everything we need and want to do to make us more business-like, but we are making great progress. We are aggressively applying to the Department essential business principles that American industry has successfully used to become leaner, more flexible, and more competitive."

Hamre praised the Congress for supporting the reform initiative. "The bi-partisan support for defense reform has been very encouraging, and we will continue to seek support in the future," Hamre said.

The savings from DoD reforms, estimated to be in the billions of dollars, are being targeted toward vital defense programs, Hamre said. He also emphasized the less quantifiable improvements in customer service, organizational flexibility, and quality of life produced by the ongoing initiatives. "We have begun a fundamental shift in the way we do business, and our long-term goals remain the same. We will continue to reengineer, consolidate, compete, and eliminate," he said.

Hamre said that innovations resulting from DRI will help support the "Revolution in Military Affairs" to ensure U.S. military superiority into the future. "The DRI is also aimed at ensuring that DoD support elements will be agile and responsive enough to support the warfighters, who are rapidly applying new technologies that will enable them to dominate the battlefield of any future conflict."

DEFENSE REFORM INITIATIVE: THE FIRST YEAR

Creating Savings from Public/Private Competition

The Department is vigorously pursuing savings from public-private competitions. It will compete about 230,000 positions between Fiscal Year 1997 and 2003, allowing the marketplace to determine who can do the job the best and at least cost. This will result in \$6.3 billion in estimated savings. The process of competing these non-core functions makes our operations more efficient, no matter who wins the work.

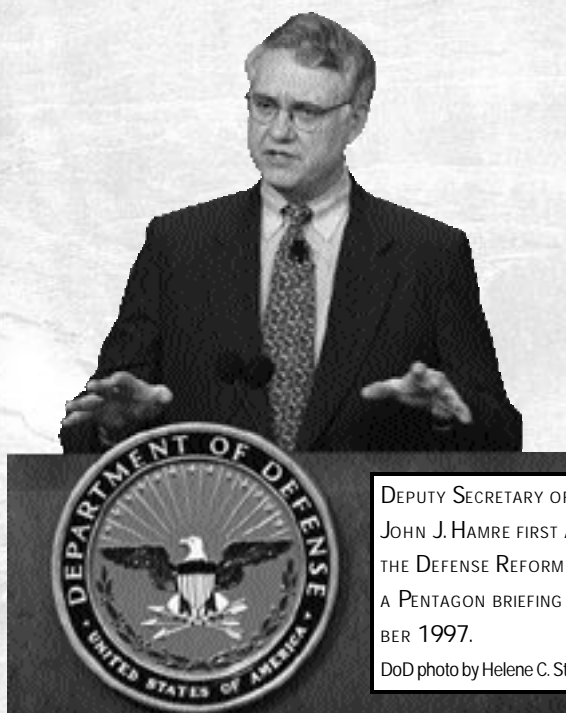
- San Diego: A private firm now operates Navy family service centers for 35 percent less than when the Navy did it.
- Redstone Arsenal: Government employees retained maintenance work by cutting their own staff almost in half, saving \$1.7 million.
- Savannah: At Hunter Army Airfield, Ga., a single contractor provides a relocation package that includes move management services for household

goods and relocation services – customer satisfaction is 98 percent.

- Patrick AFB: Workers designed a plan that cut the workforce by 40 percent through cross training of employees. The plan beat outside contractors for communications maintenance work and saved millions.
- Kaiserslautern, Germany (6966th Transportation Truck Terminal): Created an additional 66 truck-driver positions by cutting management. The change increased truck-haul missions by 7,000 annually, saving \$1.46 million on outside contracting.

Efficiencies from Electronic Commerce

DoD is moving rapidly into Internet-based electronic commerce to streamline our purchasing. The Joint Electronic Commerce Program Office (JECPO) was established to facilitate the transition to electronic commerce, which cuts overhead and contracting costs, eliminates middlemen, and makes DoD more



DEPUTY SECRETARY OF DEFENSE
JOHN J. HAMRE FIRST ANNOUNCED
THE DEFENSE REFORM INITIATIVE AT
A PENTAGON BRIEFING IN NOVEM-
BER 1997.

DoD photo by Helene C. Stikkel

customer-friendly to businesses large and small — many of which had previously found it difficult and expensive to do business with the Department.

JECPO is moving DoD toward Paperless Contracting. All aspects of the contracting process for major weapons systems are scheduled to be paperless in the year 2000.

Our new Electronic Mall (the "E-Mall") allows customers to search, locate, compare, and order material based upon quality, price, and availability. The E-Mall is a "point, click, and ship" Internet-based system for locating and ordering commercial items quickly and easily. It streamlines the traditional procurement process — reducing delivery time for commercial items from weeks and months to as quickly as 24 hours. This flexible system can allow the addition of unlimited numbers of commercial electronic catalogs to increase commercial item support to the warfighters.

The IMPAC card is a commercial VISA card issued to individual offices and organizations for official purchases under \$2,500. It provides a less costly and more efficient way for the Department to buy goods and services directly from vendors instead of processing requests through procurement offices. Of all

the micro-purchases (under \$2,500) made by the DoD acquisition community in Fiscal Year 1998, about 85 percent were made using the IMPAC card. Internal costs are often cut by more than half when an IMPAC card is used instead of a traditional purchase order.

Deputy Secretary Hamre has directed the IMPAC program be expanded to cover:

- All training costs below \$25,000.
- All medical services and non-appropriated fund payments below \$2,500.
- Goods and services under \$2,500, purchased using standard contracting instruments.
- All military inter-Departmental purchase requests below \$2,500.

Applying the Best Ideas of the Private Sector

DoD is taking the best practices of America's dynamic private sector and applying them to its operations. Learning from decades of industry practice, the Department is saving money and improving operations through competition and improved management.

The Defense Management Council, chaired by the Deputy Secretary, serves as the board of directors for the Secretary's defense reform efforts.

DoD is recruiting a panel of top corporate CEOs to provide advice and examples from the private sector. Retired Air Force Gen. Walter Kross will chair the panel, which will meet for the first time in January 1999.

DoD has radically altered the way it reimburses employees for travel, replacing a wasteful nightmare of forms and office visits with a simple, fast, reliable system. Feedback from 29 sites indicates a 654-percent decrease in administrative costs and a 31-percent decrease in the time it takes for people to get reimbursed for travel.

As part of the Department's efforts to adopt best business practices, the Defense Agencies were directed to prepare annual Performance Contracts for review by the Defense Management Council. (The Defense Management Council includes many of the Department's senior military and civilian leaders.) The

requirement recognizes that Defense Agencies provide products and services to the Department much like those of commercial businesses, but do not have the discipline of the civilian market.

MEDJOC (Medical Job Order Contracts) are delivering results faster than traditional contracting for medium-size projects in Fort Worth.

ID/IQ (Indefinite Delivery/Indefinite Quantity) contracts for medium-size projects are cutting delivery time and costs at Ft. Bragg, N. C.

Navy incorporation of Sustainable Design Principles in the design and construction of new buildings is increasing energy conservation, productivity, and improving health conditions.

Improvements from Consolidation

Cohen is realigning the Department to better execute its post-Cold War missions. Agencies and offices that were designed to operate in a bi-polar world are now being merged or restructured to meet the realities of today's threats.

On Oct. 1, 1998 Cohen inaugurated the Defense Threat Reduction Agency a new, unified defense agency to counter threats posed by weapons of mass destruction. This merger of three Cold War Era agencies will improve America's capability to contain chemical, biological, and nuclear threats. The new agency will have a budget of \$1.9 billion and employ over 2,000 people.

For many years, the military has received immeasurable benefit from its focus on education for its officers and servicemembers. On Oct. 2, 1998, Cohen welcomed the Department's first Chancellor for Education and Professional Development, who will provide the same focus for DoD's 730,000 civilians. The first chancellor, [Dr.] Jerry Smith, will develop and administer a coordinated program of civilian professional education and training.

Streamlining and Downsizing

The Department of Defense is making real and substantial cuts in its headquarters staff. Secretary Cohen is leading by example, cutting a full one-third of the positions in the Office of the Secretary of Defense (OSD). One thousand of the 3,000 staff positions in

OSD are being eliminated – more than 780 are already gone.

Eliminating Buildings and Structures

Eighty million square feet of obsolete and excess buildings are targeted for demolition and disposal by Fiscal Year 2003. Approximately 10 million square feet were eliminated in Fiscal Year 1998. Fifteen million more will be gone by the end of Fiscal Year 1999. When completed, recurring savings should exceed \$160 million annually.

Other Activities

The Defense Reform Initiative has spawned an array of innovative and exciting changes in DoD business practices. A few examples:

In August 1998, a Defense Working Capital Fund Task Force was formed to improve the Department's ability to request and account for funds in a manner that meets the needs of the Armed Forces and is acceptable to Congress.

The Defense Logistics Agency (DLA) has developed a Prime Vendor Program designed to permit offices that handle maintenance for DoD facilities to order maintenance, repair, and operations supplies directly from integrated supply chain contractors. The program goal is to provide items quickly to meet customer needs at discounted commercial prices. DLA has completed its award of regional contracts providing nationwide coverage.

The Department's initial reengineering of temporary duty travel (travel on official business) converted what was essentially a paper-based, personnel-intensive process, into an electronic, user-friendly, state-of-the-art travel management process rivaling the best industry practices. In August 1997, the Department extended the travel reengineering effort to study improving the current Ready Reserve Travel for reservists and guardsmen, and Permanent Duty Travel for employees assigned to work in new locations. About 775,000 military and 25,000 civilians relocate annually.

Editor's Note: This information is in the public domain at <http://www.defenselink.mil/news/> on the Internet.